2008 ANNUAL REPORT

Bermuda Hospitals Board

Ministry of Health
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January 4, 2008

I am pleased on behalf of the Government of Bermuda to present to the Legislature the Bermuda Hospitals Board's 2007/2008 Annual Report.

This has been an eventful and exciting year for our hospitals. The development of Bermuda's first Urgent Care Centre, establishment of overseas partners for clinical care, development of the long awaited inpatient Charge Description Master and the first steps towards the new building project stand out for me as highlights. Reviewing the pages of this Annual Report provides an overview of many other innovative and critical projects that have been undertaken and implemented over the last year.

These advancements require experienced and knowledgeable staff ensuring that the services are delivered in the best possible manner to the entire community. I would like to thank the dedicated management team and staff of the Bermuda Hospitals Board. My gratitude also goes out to the Members of the Bermuda Hospitals Board who volunteer their time and energy to make sure that our hospitals deliver exceptional patient care to the people of Bermuda.

Nelson B.A. Bascome JP, MP
Minister of Health

ABOUT BHB

Bermuda Hospitals Board (BHB) comprises King Edward VII Memorial Hospital and Mid-Atlantic Wellness Institute. BHB serves Bermuda's resident population of approximately 65,000 people, as well as the many visitors who come to our island each year. BHB has the second largest employee base in Bermuda with 1,500 full time staff and 200 on-call and locum staff.

Operating as a quango, BHB's senior management team is responsible for operations under the governance of a Government-appointed Board.

BHB's mandate, as set out in the Hospitals Act 1970 and subsequent revisions, is to provide Bermuda with quality care either from its own staff, in partnership with others or by helping patients receive care overseas as needed. Given our relatively isolated geographic location, the Bermuda community needs a range of services far broader than would commonly be expected of a hospital serving a similar population base.

BOARD MEMBERS

Back row from left to right:
Dr John Cann, (Chief Medical Officer)
Edward Benevides,
Brian Rowlinson,
Wendell Hollis, (Deputy Chairman)
David Hill, (CEO)
Josephine Wright,
Dr Donald Thomas (Chief of Staff)

Front row from left to right:
Mike Winfield,
Crystal Burgess,
Herman Tucker, (Chairman)
Kelly Hodsoll

Missing from picture
Wendy Augustus, Warren Jones

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MESSAGE FROM THE CHAIRMAN

I'd like to welcome you to the Bermuda Hospitals Board's 2007/2008 Annual Report. The fiscal year under review was the beginning of this journey for a relatively new board as BHB continued to work towards the constantly changing best practices and treatments in healthcare.

We began by speaking to the people who know BHB best - the BHB staff – who helped us identify a vision, mission and set of values. From this, a three year strategic plan was devised so that we could move forward with clear objectives and targets. This document is a rolling three year plan, which will be updated each fiscal year. From a Board perspective, it was especially important to ensure that this process was supported by appropriate governance and monitoring.

Following a robust tendering process, the Board entered into a contract in May 2007 with Kurron to provide additional support to the management team in meeting their larger than normal agenda, which included working towards a new acute care hospital, maintaining current facilities and making operational improvements.

The Board was pleased to see BHB's finances improve over the year, with appropriate investments in care, such as the new 8-Slice CT scanner, while keeping an eye on efficiencies. A new decision support software system was installed so that managers could get up-to-date information about their costs and revenues, and also to improve accountability towards set targets.

Work also began during this year on more closely aligning with our East Coast Partners, who are Partners Healthcare System, Lahey and Johns Hopkins. We look forward to the clinical benefits these associations will bring as we move forward.

On behalf of the Board, I would like to thank the management and staff of BHB on their progress to date. We have been impressed by their dedication and achievements this year.

PLANNING FOR THE FUTURE

Bermuda Hospitals Board's primary concern is to provide a high quality health care service that meets the long term needs and expectations of the Bermuda community. While improving operations, technology and standards of care are vital to this, BHB also needs to maintain and modernise its ageing facilities. A focus in the fiscal year 2007-8 was to find an affordable and manageable way for us to achieve this.

An Estate Master Plan was completed in 2005, with the goal of providing a strategy to provide Bermuda with modern acute care, mental health and related facilities. At the end of 2006, Government mandated that BHB develop its acute care hospital on the current site as the King Edward VII Memorial Hospital (KEMH).

THE JOHNS HOPKINS MEDICINE INTERNATIONAL REPORT

Johns Hopkins Medicine International was contracted to undertake a full review of the Estate Master Plan in 2007. At the beginning of 2008, the first phase of the report, which reviewed healthcare data, was made public. The second phase of the report was made public in November 2008 and included a clear recommendation about how to develop BHB's acute care hospital over the next 25 years. Government has approved a five year plan to build 50% more new space and renovate the existing KEMH building. This step will ensure our acute services can be maintained and the construction and renovation costs are expected to be in the order of $315 million.

Developing BHB's mental health hospital and continuing care service both require greater collaboration with the community and local organisations so that strategies for client groups can be agreed. The recommendation of the report was, therefore, to manage these as separate projects to ensure appropriate consultation and focus was given for these vital services. Both reports can be read on the BHB website at www.bermudahospitals.bm.

QUALITY AT BHB HOSPITAL-WIDE ACCREDITATION

The number one priority for the hospital in 2008 was to achieve accreditation from the Canadian Council on Health Service Accreditation (CCHSA), which was renamed in January 2008 to Accreditation Canada.

The accreditation process ensures our hospitals are constantly improving to meet international best practices in care and patient safety.

BHB has been accredited by Accreditation Canada since the 1980s. In 2008, the process changed to become much more robust. No longer does Accreditation Canada view accreditation as a once every three years event, but rather as an ongoing process, where staff are surveyed and patient journeys through the hospital are carefully followed to ensure processes are sound. Surveyors can also drop in unannounced at any time to check standards even after the 2008 on site survey.

In 2007 over 1,000 BHB staff took over 2,000 surveys, resulting in 24 roadmaps to achieve accreditation.

MAMMOGRAPHY ACHIEVE SPECIALISED ACCREDITATION

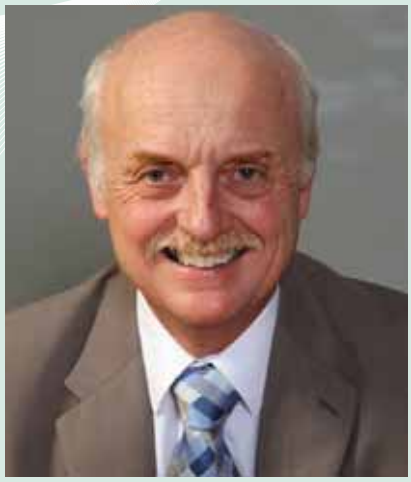
To supplement the hospital-wide Accreditation, Mammography also seeks specialised accreditation with the American College of Radiology (ACR) which is the gold standard for mammography departments across North America. ACR Accreditation was achieved again in 2008 and runs from June 2008 to June 2011. KEMH's Mammography Team has maintained accreditation with the ACR since 1998.

Over 3,500 mammograms were carried out at KEMH in 2007. The Mammography team consists of four qualified, registered mammography technologists and four radiologists. The fully-accredited Mammography Programme includes a diversified breast imaging department, consisting of diagnostic and screening mammography, breast ultrasonography, and stereotactic biopsy procedures.

QUALITY ACROSS BHB

BHB's Pathology Department successfully achieved Joint Commission International accreditation in 2007.

As a mark of quality on the mental health side, the UK's Royal College of Psychiatrists recognises Mid-Atlantic Wellness Institute's (MWI) mental health programme as a training site for psychiatric residents and MWI is a City & Guilds Centre of Learning.



MESSAGE FROM THE CEO, DAVID HILL, BERMUDA HOSPITAL BOARD

I'm pleased to be able to report a year of solid improvement and progress in the 2007/08 fiscal year under review. As this annual report is printed beyond the year reviewed, we have taken the opportunity to update information where necessary.

Change is a constant in healthcare and at Bermuda Hospitals Board we have dedicated employees who are always working to ensure the care they provide patients is in line with the latest best practices no matter what area of the hospitals they work.

This fiscal year we were supported by the Ministry of Health and Bermuda Hospitals Charitable Trust, who shared the cost with BHB of a thorough review of our Estate Master Plan by Johns Hopkins Medicine International. This final report was published beyond the fiscal year, but the work undertaken at this time has already provided us with a concept for developing our acute care hospital site over three decades to ensure that we can meet Bermuda's long term healthcare needs.

While new facilities are now planned, this did not stop us from making improvements to our current patient care areas. Key achievements in this year included:

- New 8 slice CT scanner and digital image management system
- 16 new beds in the Continuing Care Unit
- New services and facility for Child & Adolescent Services
- Improved waiting times for patients admitted to hospital from Emergency
- A new data centre on the fifth floor
- Upgraded security at Somers Annex

We are on a journey to fulfill our new vision – to be the first choice for health and wellness. On behalf of all staff at BHB, we will continue to work tirelessly towards this goal to raise the bar on the quality of our care and the excellence of our service.

Improving Bermuda's Access To Care

As part of a larger capital projects programme, $3.6 million was invested in equipment in the fiscal year 2007-8. Most of the money for these purchases comes from BHB's own revenues, with generous donations from the Hospitals Auxiliary of Bermuda, which donates about $500,000 a year, and some individual and corporate donors.

FASTER, HIGHER QUALITY CT SCANNER SERVICE

BHB installed a new CT Scanner and digital image management system at KEMH early in 2008. Within three months, the quality and speed of the new service resulted in outpatients being offered next-day appointments for CT scans and radiologist reports being completed within 24 to 48 hours.

The 8-slice Brightspeed Elite Select CT scanner became operational in February 2008. At the same time BHB went live with a digital image management system that enables CT images to be sent immediately to on-site radiologists for reading once the scan is complete. Prior to its installation, the average outpatient wait time for a CT scanner was five to seven days and a report could take three to four days.

The new CT scanner also allows BHB to offer new scans that will help identify illnesses such as strokes, clots, cancers and vascular disorders. The quality of the scans enables 3-D images, especially important in soft tissue and abnormal bone diagnoses, as it helps put the scanned body parts into perspective, rather than reading a flat 'slice'.

CT scans require patients to have a contrast media injected to highlight different organs. Another benefit of the new equipment is that it can provide a higher quality scan with less contrast media, reducing the potential for a patient to react. For example, in chest CTs, the amount of contrast media reduced from 150cc to 90cc. The scan itself is also more comfortable for patients as it is faster, so less time is spent on the table.

WHAT IS A CT SCANNER?

A CT (computerised tomography) scanner is a special kind of X-ray machine in which several beams are sent simultaneously from different angles.

SIXTH OPERATING ROOM OPERATIONAL FOR THE FIRST TIME

For the first time, a sixth Operating Room (OR) was opened in October 2007, followed by a renovation of all our hospital surgical suites. Initially the sixth OR allowed other suites to be temporarily shut for maintenance without impacting capacity. Now that renovations are complete, capacity has increased, reducing waiting time for surgical patients over time. It also means there is an OR always prepped for emergency surgery, a benefit for critical care patients.

Improving Patients' Experiences At BHB

NEW EMERGENCY TRIAGE SYSTEM INTRODUCED

In 2007, the hospital introduced an international triage system that rates all people arriving in the Emergency Department on a 1 to 5 scale. While urgent cases have always been prioritised, the new triage system rates all patients to ensure that people are seen in order of acuity. For people with more critical injuries and illnesses, this ensures they are seen and treated more quickly. However, for people with non-urgent conditions, this can mean a longer wait. To help educate people visiting to the Emergency Department, triage cards were produced. When someone enters Emergency they are told how they have been rated and provided information about potential waits.

LOVIN' OUR LAUNDRY

A Laundry modernisation programme was completed in March 2008. Although very few patients see the area that washes, dries and presses all gowns, scrubs and linen, almost everyone who comes to the hospital is touched by this service: whether you put on a gown for an x-ray or mammogram, or stay on a ward. Over 1.5 million pounds of laundry is cleaned each year by this department. The modernisation programme is bringing in new equipment and highly efficient processes. As the success of any department rests on capable and professional employees, Laundry employees travelled to the US to see commercial and hospital laundries in operation with the goal of introducing clear standards within their own department. The knock-on effect of the modernisation is a more efficient and timely service. In the long run, this will improve standards and also help control costs.

Art Therapy takes place at Agape House to help give residents a creative way of expressing themselves

CURTIS WARD RENOVATIONS

The hospital has committed to renovate its patient rooms and in 2008 began a pilot programme renovation two rooms in Curtis Ward.

SAFER MEDICATION CARTS

Medication carts, from which patient medication is dispensed, have been standardised and clearly labelled to reduce potential medication errors and improve the care we provide our patients.

A BETTER EXPERIENCE FOR FAMILIES AND VISITORS

Improving the environment does not always require major renovations, but they can make the hospital a safer and more welcoming environment for healthcare. BHB is currently standardising finishes to improve the consistency of the patient experience and improve lighting New furniture has also been purchased for the nurse break rooms and Emergency Department family consult room and, more generally, new patient and family chairs will be purchased to improve the comfort of patients and guests during their visit.

MORE ACCOMMODATION FOR LONG-TERM CARE PATIENTS

Sixteen additional beds and a transition lounge opened in 2008 in the Continuing Care Unit (CCU) at KEMH. CCU provides a dedicated residential service for seniors who require long term medical care. The additional beds have allowed more seniors to find a home to fit their needs. The transition lounge benefits both residents and families, providing space in which residents can wait for their families before outings.

A SMOOTHER TRANSFER FROM EMERGENCY TO WARD

For people who access Emergency and need to be transferred to a ward, BHB has been working to make the transfer swifter, without the need to wait in an overflow bed. This is about getting patients to the place where they will get the most appropriate levels of care. The success of this programme has meant that in the last quarter of 2007-08, there were only 4 patient days in the overflow beds with almost no overnight stays, compared to 120 patient days in the same quarter for the previous year.

NEW DATA CENTRE ON FIFTH FLOOR

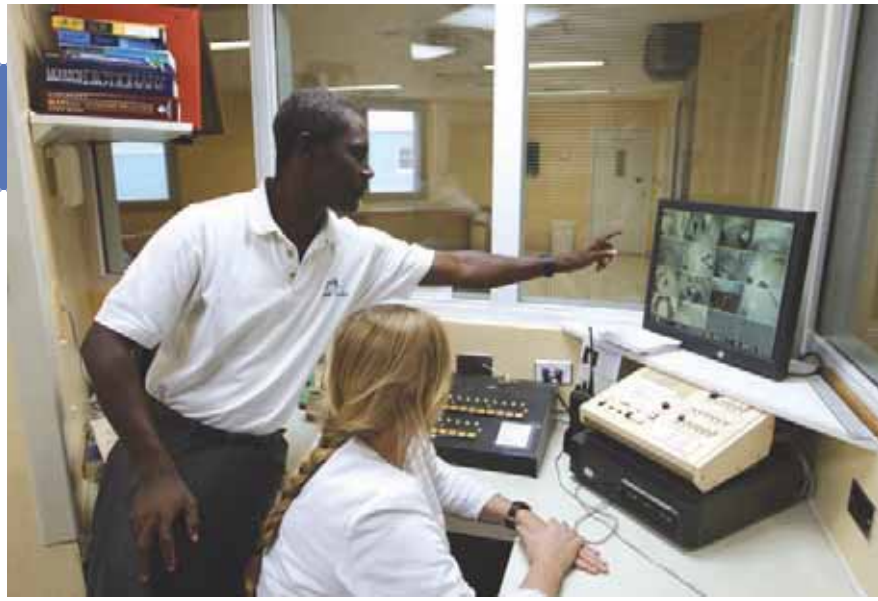
A project to give BHB access to a new data centre was completed in 2008. The technological demands in modern medicine are continually increasing. Greater capacity is needed going forward for the hospitals to keep pace with best practice.

The new data centre, located on the fifth floor, had to be storm proofed and this was used as an opportunity to upgrade facilities and reorganise administrative staff into an open plan. This more economical use of space enabled BHB to open up more clinical areas around the hospital, which will be used for patient services.

NEW DECISION SUPPORT SOFTWARE SUPPORTS STRATEGIC OBJECTIVES

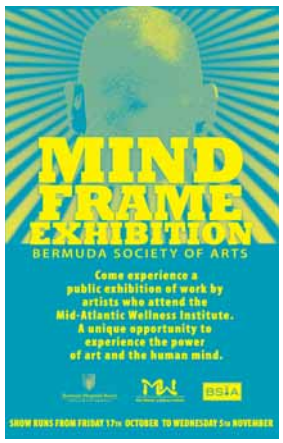
A new decision support software programme was rolled out during fiscal year 2007-8. This provides BHB leaders with timely advice on how they are achieving their targets. The system collates information, highlights key metrics relevant to each department and alerts managers to any potential issues, including managing budgets and monitoring services. This directorate also collates information that is sent monthly to the Board to review performance, including whether key clinical and safety targets, such as infection control rates or number of falls, are being met in the hospitals.

Improvements At MWI



SOMERS ANNEX

Somers Annex is the acute mental health ward for adults at MWI. During this fiscal year, it has been upgraded, improving the environment and security on the ward in order to improve patient and staff safety.



ANNUAL EXHIBITION OF ART BY MWI CLIENTS

In October 2007, the first ever public exhibition of artwork by MWI clients was put on at the Bermuda Society of Arts. This highly successful event enabled MWI to highlight the creativity of their clients, talk about how art can help in the healing process for mental health conditions and encouraged positive dialogue around mental health issues in Bermuda. It is now an annual event.

In order for MWI Learning Disability Clients to enjoy Bermuda Day, an annual pre-heritage day parade is held each year at MWI which draws a large community crowd. The floats are designed by clients.

LEARNING DISABILITY SERVICES

Maintenance and renovations began at Fairview Court due to a leak in the roof that houses resident Learning Disability clients. Clients were moved to Reid Ward, which will itself be renovated when clients return to the improved facilities at Fairview. Although a leak in the roof initiated the work, BHB recognised an opportunity to improve two key facilities on the MWI campus, as elderly MWI residents have been temporarily housed at Sylvia Richardson while work is carried out.

NEW FACILITY AND SERVICES FOR CHILDREN & ADOLESCENTS

In May 2007, the new Child and Adolescent Services (CAS) facility was officially opened, providing Bermuda's first dedicated in-patient unit for children suffering acute mental health in the same new facility as outpatient services. This was an important step forward in caring for the mental health of young people and ensuring they have appropriate services for acute mental health episodes. Best practise dictates that children and adults require separate mental health services. Previously, children who required acute inpatient mental health services were cared for either at KEMH, where nurses' clinical expertise is physical not mental, or on Somers Ward, the inpatient mental health unit for adults. Between May 2007 to January 2008 there were 19 admissions to this unit. Although on the MWI campus, the new CAS facility is a totally separate service catering to young people from 4 to 18 years. The new facility has enabled the range of services to increase for our young people.

Previously limited to providing outpatient services only, the new facility offers an inpatient unit, Day Care and schooling for up to ten young people whose condition prevents them from attending school. For the first time this year, a summer camp was run for young clients.

CROSS TRAINING TO SUPPORT YOUNG CLIENTS

Eight BHB nurses completed a specially designed, cross-training course in caring for children and adolescents with mental health problems in 2007.

Accredited by the Royal College of Nursing (RCN), the yearlong course, Mental Health Matters, prepared nurses to work with young people receiving care at Child and Adolescent Services (CAS), a programme offered through MWI. CAS is expanding to include an inpatient unit and day hospital and additional trained psychiatric nurses were needed. Graduates of Mental Health Matters received both theoretical and practical training and are now qualified to make initial assessments, analyse presenting symptoms, offer recommendations and assist in completing care plans for children and adolescents.

INCREASING ACCESS TO GROUP HOMES

Group homes can offer people who need more than just outpatient mental health services a more healing, home environment than an acute care ward. This is proven best practice for clients and benefits the community as a whole.

IN PARTNERSHIP WITH PROJECT 100, THIS YEAR MWI HAS BEEN WORKING ON A NEW GROUP HOME.

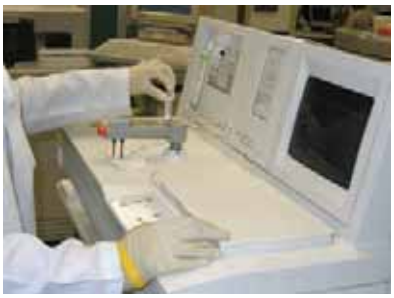
The Elderly Learning Disability Group Home is being funded by Project 100. The $1.4 million project has already started at the Sandys rest home site, where ground was broken on January 2008. This accommodation will house eight people, who are currently on-site at MWI.

New Services

RELIEF FOR PEOPLE IN BERMUDA WITH LYMPHATIC DISORDERS

The Lymphodema Clinic successfully opened in July 2007, with treatments provided by a trained physiotherapist, Tanaeya Burch. This service is for people who experience problems with their lymphatic system, caused by a specific disorder or following surgery. Before this outpatient service was introduced at KEMH, people had to either be admitted or seek treatment abroad.

BHB now provides hand therapy for people who have hand injuries or problems.



NEW AND IMPROVED PATHOLOGY TESTS INTRODUCED

New best practice tests for Arterial Blood Gas (ABG) and for CPK were introduced this year. Both these tests were offered in Bermuda previously, but the technology has been modernised allowing BHB to offer tests that take less time and require less blood. The benefit to patients and diagnosing physicians is that results are available more quickly and accurately, in line with modern standards across the globe. Additionally, a new D-Dimer test was introduced, bringing the hospital in line with the standard of care worldwide, when investigating coagulation disorders.

THE FIGHT AGAINST MRSA

A new MRSA test was introduced in March that reduces the time required to test for the bacteria from two days to a few hours. Most people who test positive for MRSA are not sick, but "colonized" – this means the bacteria is discovered usually in the nose, but the person does not have any symptoms.

MRSA is no longer just a 'hospital acquired' bacteria. People coming in from the community may already be colonized. The bacteria are a potential danger for people with cuts, surgical patients and those with reduced immunity. Testing for MRSA in a few hours not only means patients know the results faster, it also reduces the time a patient has to be isolated to determine whether they are carrying MRSA. This will help alleviate the pressure on beds in the hospital.

As BHB regularly and proactively tests all patients who are in hospital for more than two weeks, the speed of this new test will further improve our response time. Rates for hospital-acquired infections are considered low at KEMH compared to overseas hospitals, such as those in North America who report that 60% of staphylococcus aureus blood stream infections in ICUs are caused by MRSA. At KEMH, this rate is only 15%.

In an effort to protect patients, staff and visitors from all infections, the hospital's Infection Control Department regularly promotes handwashing and also established a series of leaflets to help educate people.





Nurses At the Heart of Quality Patient Care

ENSURING SKILL MIX FOR NURSES

Nurse development and training on island continues to be addressed by BHB. An annual skills assessment, including tracking training statistics, is now in place for existing nurses to ensure their development keeps pace with international best practices.



NURSES EDUCATION AND DEVELOPMENT

BHB worked with the Bermuda College to develop a Certified Nursing Assistant (CNA) Programme which is now offered on the Island. This helps meet local training needs and provides a clear training and development path for nursing aides that can be met without the disruption and cost of travelling overseas. The goal is not only to improve standards, but encourage more people into the nursing profession. The first intake of students for the CNA Programme was in September 2008.

APPRECIATING A DIVERSE WORKFORCE

BHB is reviewing best practices in diversity initiatives and will be defining BHB values as measurable behaviours to be included in performance appraisals. We recognise the importance of building a diversity-appreciative culture that supports the execution of the BHB mission.

IMPROVING NURSE LEADERSHIP AND QUALITY CARE

In 2008, a consultation paper on clinical leadership at BHB was released to staff and made publicly available. Following extensive feedback from staff, a strengthened leadership structure was agreed that focused clinical leadership on the patient. Additionally, BHB established a Nursing Office, currently led by Judy Richardson, Acting Chief of Nursing, Quality & Risk. The nursing office will focus on quality and education of nursing staff throughout BHB.

IMPROVING SURGICAL NURSE SUPPORT FOR ANAESTHESIOLOGISTS

In 2007, four operating room nurses completed the first formalized training course being offered at KEMH that qualifies nurses to assist anaesthesiologists during surgery. The intensive, onsite course was developed from materials provided by the Royal Hospital for Sick Children in Glasgow, Scotland. The eight-week programme includes modules on preparing patients for anaesthesia, maintenance and monitoring, emergencies in anaesthesia and recovery and postoperative care. This programme was designed to provide specialised instruction to OR nurses who will now have improved skills to assist our anaesthesiologists.
As new nurses join the KEMH surgical team, they will be required to take the training course.

Our People

ATTRACTING AND RETAINING STAFF IN OUR HOSPITALS

BHB compared favourably to international benchmarks on vacancy rates and turnover in the fiscal year 2007-8. The PricewaterhouseCoopers – Saratoga Business Analytical Tool benchmark for turnover is about 13%. Average turnover at BHB for the period from April 2007 to end of January 2008 was 11.4%. The American Hospitals Association benchmark for vacancy rates for best performing hospitals is about 8%. The average vacancy rate at BHB, from April 2007 to end of January 2008 was 6.4%.

SUPPORTING STUDENTS IN HEALTHCARE RELATED FIELDS

BHB continues to look beyond the short term by supporting people who wish to study in healthcare related fields. In 2008, we awarded scholarships totalling $165,000 (paid over time periods from one to four years) to nine students pursing degrees in healthcare. Three of the scholarship winners are studying nursing, while the others are pursuing degrees in the allied health fields of nuclear medicine, radiology, occupational therapy and medical librarianship.

ENCOURAGING BERMUDA'S YOUTH INTO HEALTHCARE

While overseas healthcare professionals are a vital part of our local service, we need our young people to join the healthcare profession to help shape and lead services for today's community and future residents. BHB has very well-established student volunteer programmes, with over 100 students gaining experience in the workplace in the After School and Summer Student Programmes each year. For some young people, it is an opportunity to get their school community service credits. For many it is a first step towards a healthcare career.

LOOKING TO THE FUTURE

In 2008, BHB put plans in place to encourage Bermudian medical specialists back to the island. BHB is now supporting Dr Lynette Thomas in a fellowship in Boston, where she is specialising as a nephrologist (kidney specialist). As part of the agreement, Dr Thomas will return to Bermuda to practice. Having Bermudian physicians return to Bermuda to practice is a way of securing a sustainable healthcare service on island.

Strengthening Medical Leadership

A number of key appointments were made in the fiscal year 2007-8. Most significant, was the appointment of Chief of Staff, Dr Donald Thomas III, MD. Dr Thomas initiated a recruitment process in 2007 to create permanent appointments to fill medical chief positions that had previously been held on a temporary, annual or acting basis. Strong, consistent and fair leadership is vital in order to stabilise and improve relationships with the physician community.

CREDENTIALLING AND BYE-LAWS

BHB initiated a comprehensive overhaul of its bye-laws in the fiscal year 2007-8. It was a timely process and was fully supported by the Bermuda Ombudsman, who recommended this take place in her review of BHB medical staff, which was made public in November 2007.

BHB has also undertaken a review of its credentialing process. Like most hospitals, BHB has to navigate through training and competencies that vary depending on where a physician is trained. Most commonly, physicians are trained under UK, US or Canadian systems. Finding a common approach equalises those differences and establishes clear expectations and areas of authority for all physicians working in the hospitals. The Chief of Staff Office invested in an automated credentialing system called CACTUS that will speed up the process of checking credentials starting in the US.

INVOLVING THE WIDER PHYSICIAN COMMUNITY

A number of GPs on island do not have privileges at our hospitals. In 2008, a Department of Clinical Affiliates, headed up by Dr Stephen Trott, was created. The role of this department is to ensure these GPs are involved in medical issues and strategies. While these physicians do not work within the hospitals, their patients use the facilities. In the interest of patient care, these physicians need a voice.

THE MEDICAL CHIEFS AT BHB

Seated from Left to Right:

Chief of Family Practice – Dr Burton Butterfield
Chief of Surgery – Dr Wesley Miller
Chief of Paediatrics – Dr Eugene Outerbridge
Chief of Obstetrics – Dr Dale Wilmot
Chief of Staff – Dr Donald Thomas III
Chief of Clinical Affiliates – Dr Stephen Trott
Chairman of Active Staff – Dr Alicia Stovell
Chief of Anaesthesiology – Dr Richard Hammond
Director of Hospitalist Programme – Dr Arlene Basden

Missing from picture

Chief of Medicine – Dr Keith Chiappa
Chief of Diagnostic Imaging – Dr Daniel Stovell
Chief of Emergency – Dr Edward Schultz
Chief of Pathology – Dr Kered James

Strengthening Management

During the fiscal year 2007-8, there were a number of new appointments to the senior management team, including the appointment of a new Director of Human Resources, Chief Operating Officer for KEMH and a Chief of Business Development. The latter role is a new position at BHB, established to improve BHB's business planning and responsible for data analysis and business development support throughout BHB.

THE SENIOR MANAGEMENT TEAM

From Left to Right:

Acting Chief of Nursing, Quality & Risk – Judy Richardson
Chief Operating Officer (KEMH) – Bob Zinnen
Director of Human Resources – Kerry Garrigan
Chief of Staff – Dr Donald Thomas III
Chief Operating Officer (MWI and CCU) – Patrice Dill
Chief Information Officer – Jorge Grillo
Chief Financial Officer– Delia Basden
Acting Director of Quality & Risk – Preston Swan
Director of Decision Support – Harlean Saunders-Fox
Chief of Business Development – Russ Gardner
Deputy Chief Executive Officer – Venetta Symonds
Chief Executive Officer – David Hill
Director of Public Relations – Anna Lowry
Director of Physician Relations – Scott Pearman

INTERNATIONALLY RECOGNISED BILLING

BHB is introducing a new charge description master for inpatient services in April 2009. A charge description master lists all services that could be provided with a code and description (which you then see on a hospital bill).

The new charge description master will have more detailed codes and descriptions that are recognised internationally for the inpatient services we provide. For inpatient services, this will result in a change from 'per diem' billing (where all inpatients pay the same rate every day no matter what inpatient services they access), to a fee for service billing. This change will also enable us to move to the international standard of case-based billing, which reimburses the hospital for a quality, efficient service based on the expected services and length of stay for a patient's specific surgery or illness. This change was recommended as far back as the Oughton report, by the Arthur Anderson report and reinforced more recently in the Johns Hopkins – Phase I Report.

Hospital revenues will not increase due to this change. We are already working closely with insurers and Government to ensure a smooth transition. The impact will be in a more accurate payment for services received, so premium changes will depend on an insurer's clients and their usage.

Other benefits of these changes include vastly superior data on our service usage to help us accurately plan services. We will also benchmark our fees against hospitals overseas, which will help us determine how fair our rates are.

LISTENING TO FEEDBACK

BHB has made great efforts this fiscal year to listen and respond to stakeholder feedback, by investing in satisfaction surveys for staff, physicians and, critically, patients.

While clinical and financial indicators give a sense of the quality of care and sound financial stewardship, the satisfaction of the people who work, visit and are cared for in the hospitals is a critical indicator. Stakeholder feedback can highlight issues that are otherwise missed.

The patient survey, carried out by the internationally-renowned Press Ganey company in the fiscal year 2007-8 after is a continual survey. Anyone who comes to the hospital could be invited to participate. The survey told us that most people are generally satisfied with the care they received, but there are key areas that need to be improved upon around patient communication and the state of the facilities.

HOSPITAL DONORS & VOLUNTEERS

BHB would like to thank its donors and recognise the generosity of companies, organisations, charities and individuals.

The Hospitals Auxiliary of Bermuda (HAB) provides about $500,000 in donations each year raised by the Barn, Pink Café and Gift Shop. Their donations are used to purchase equipment that directly improves patient care in the hospitals. They also provide about 300 volunteers and 85 Candy Stripers who play a vital role throughout the hospitals, from staffing the Information Desk, to assisting patients with menu selections and delivering flowers. They donate up to about 40,000 volunteer hours each year.

The Bermuda Hospitals Charitable Trust (BHCT) donated funds towards the Johns Hopkins Review, sharing the cost with the Ministry of Health and Bermuda Hospitals Board.

The Bermuda Red Cross partners with BHB in running the Blood Donor Centre, and provides volunteers year-round to help staff the unit.

Friends of Hospice raises funds for Agape House, Bermuda's only dedicated palliative care facility, with popular events such as the Rubber Duck Derby and the Walk to Remember. In addition, they provide hundreds of volunteer service hours each year.

There are also numerous individual donors, some who provide financial support and others who donate equipment. In 2008 these donations included a pergola at MWI and TVs for our Dialysis Unit.

We would like to make mention of Mr David Barber, who passed away late in 2008. A long time donor to BHB, whose generous contributions have been felt in areas such as the Cardiac Diagnostic Unit, in death he left to BHB over $500,000. BHB has forwarded these funds to the Bermuda Hospitals Charitable Trust so his generous donation can be used in our new KEMH redevelopment project.

LOOKING FORWARD: URGENT CARE CENTRES

In the last fiscal year, Government announced that Urgent Care Centres (UCC) will be built in the East and West End of the island, bringing the community unprecedented access to care. BHB was asked to manage these projects and run the UCCs so the service will be fully co-ordinated into an island-wide emergency service.

The Eastern Urgent Care Centre was seen as a priority, due to the potential for the East End to be cut off during and following a hurricane.

This will be the first Urgent Care Centre in Bermuda. It will provide an out-of-hours service for people with non-life threatening injuries or conditions. Essentially these are bumps and bruises, cuts and colds. They will also have a small Diagnostic Unit for blood tests, x-ray and ultrasound. While the Diagnostic Unit will support the UCC, it will also open for longer hours so that people do not need to travel all the way into town for basic outpatient diagnostic tests.

KEMH will always be the acute care centre – where there is access to surgery, emergency care physicians and advanced diagnostic imaging equipment. However, the UCCs will take some of the pressure off our central Emergency Department by providing out of hours service for people with minor injuries or illnesses. It will also mean a faster service for these patients, who will have care available closer to them in their community and will no longer have to wait in line behind more critical patients.

OVERSEAS PARTNERSHIPS

BHB is working more closely with three US health organisations – Johns Hopkins International, Partners Health System and Lahey Clinic.

There are a number of ways this is benefitting on-island services. Clinical Advisors from these organisations are a resource for our medical leadership and play a vital role of co-chair for BHB's new peer review process. They also facilitate more specialists visiting Bermuda regularly, saving residents from travelling abroad.

BHB is aligning its services closely with these organisations, where there is benefit for patients in Bermuda. This will assist patients who need to travel, so we can ensure a smooth, seamless care experience between Bermuda and the US.

IMPROVING THE PATIENT EXPERIENCE

A number of ongoing activities help improve the patient experience, including establishing a customer service culture at BHB. By taking a holistic view, BHB will ensure this becomes the standard upon which all employees are measured. This will take time, but is a vital change of culture.

A comprehensive planned maintenance programme will keep on top of needed refurbishments, maintenance and upgrades, to ensure that as the facilities age, they are maintained until new facilities are constructed. In 2008, this included painting the KEMH building blue, its first change of colour in many years.

SIGNIFICANT STATISTICS **KING EDWARD VII MEMORIAL HOSPITAL**

	April 2005 - March 2006	April 2006 - March 2007	April 2007 - March 2008
Inpatient - Acute Care			
Beds	211	211	244
Patient Days	56,195	55,258	56,131
Discharges (incl.deaths)	6,625	6,605	6,655
Average Length of Stay (in days) at discharge	8.8	8.4	8.4
Births	848	776	863
Percentage Occupancy	73%	72%	70%
Continuing Care Unit			
Beds	104	104	104
Patient Days	37,243	36,410	36,817
Discharges	53	60	68
Average Length of Stay (in days) at discharge	689.7	587.3	504.3
Percentage Occupancy	98%	96%	97%
Hospice			
Beds	12	12	12
Patient Days	3,028	2,952	3,426
Discharges	66	68	50
Average Length of Stay (in days) at discharge	45.9	43.4	68.5
Percentage Occupancy	69%	67%	78%
All Patients			
Emergency Dept. Visits	33,617	34,402	35,804
Operations (Inpatients)	2,105	2,135	2,147
Operations (Outpatients)	6,343	6,669	6,452
Physiotherapy treatments			
(Inpatients)	19,495	12,128	8,152
(Outpatients)	12,456	9,420	7,389
(C.C.U.)	1,591	144	103
X-Ray (Exams) (In & Out)	30,529	31,374	31,214
Laboratory (Thousand units)(Exams) (In & Out)	3,725	3,811	3,739
Cardiac Investigations (ECG & EEG) (In & Out)	9,492	10,377	10,560
Ultrasound Scans (In & Out)	9,981	9,800	9,222
Nuclear Medicine (In & Out)	1,284	532	1,549
Chemotherapy Treatments (Outpatients)	1,493	1,594	1,555
Cat Scans (In & Out)	5,348	6,349	6,535
Occupational Therapy Treatments			
(Inpatients)	3,569	3,635	2,088
(Outpatients)	1,222	645	644
(C.C.U.)	1,464	1,751	1,279
Speech/Language Pathology			
(Inpatients)	1,323	1,147	924
(Outpatients)	465	252	241
(C.C.U.)	75	154	125

SIGNIFICANT STATISTICS **MID-ATLANTIC WELLNESS INSTITUTE**

	April 2005 - March 2006	April 2006 - March 2007	April 2007 - March 2008
Inpatient - Acute Care			
Beds	24	24	24
Discharges (incl. deaths)	268	262	266
Patient Days	6,258	6,440	6,817
Length of Stay	23	22.4	11.4
Admissions	269	271	281
Percentage Occupancy	71%	74%	77%
Long - Term & Rehabilitation			
Beds	98	71	71
Discharges (excl. deaths)	57	72	69
Patient Days (excl. respite)	23,301	20,262	21,674
Length of Stay	403	15,597**	376
Deaths	1	1	4
Transfers from Acute	4	18	N/A
Percentage Occupancy	64%	62%	83%
Turning Point (Substance Abuse – Detox Unit)			
Beds	8	8	8
Discharges	114	165	161
Patient Days	930	1,525	1,394
Length of stay	8	8.2	9
Admissions	117	182	157
Percentage Occupancy	32%	52%	48%
Child & Adolescent Services (CAS)			
Beds	N/A	N/A	4
Discharges	N/A	N/A	20
Patient Days	N/A	N/A	360
Length of stay	N/A	N/A	18
Admissions	N/A	N/A	19
Percentage Occupancy	N/A	N/A	24%
Outpatients (Child & Adolescent/Mental Health/Substance Abuse Learning Disability) (The MWI Outpatients section has been revsed to reflect the current reporting practice of the services)			
Total No. of New Admissions/ Referrals	N/A	N/A	289
Total No. of Re-admissions/Refferals	N/A	N/A	495
Total of Follow-up Appointments	N/A	N/A	14,077
Total of Day Patients Visits	N/A	N/A	13,398
Total of Walk-In/Unscheduled Appointments	N/A	N/A	44,231
Total of DNA to scheduled Appointments	N/A	N/A	1,922
Total No. of Home Visits	N/A	N/A	4,901

*Reid ward has 25 beds

*Devon Lodge has 18 beds

*Clients have moved into Community Group homes

** The Long Term and Rehab length of stay increase for the previous fiscal year may be due to cients being admitted to KEMH for medical intervention and re-admitted to MWI.

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AUDITOR'S REPORT

To the Minister of Health

I have audited the statement of financial position of the Bermuda Hospitals Board as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Bermuda Hospitals Board derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board and I was not able to determine whether any adjustments might be necessary to donation revenues, deficiency of revenues over expenses, assets and net asset balances.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda
August 17, 2009

Larry T. Dennis, C.A.
Auditor General

Bermuda Hospitals Board
Statement of Financial Position
As of March 31, 2008

	2008 $	2007 $
ASSETS		
Current assets		
Cash and time deposits	17,196,030	5,128,103
Restricted cash, term deposits and investments (note 3)	3,166,155	3,287,806
Accounts receivable (net of allowance for doubtful accounts 2008 - $1,676,841; 2007 - $940,699 (note 8))	12,270,689	14,364,434
Other receivables (note 8)	3,454,208	2,466,926
Pledges receivable (note 5)	120,000	368,817
Inventories	4,827,219	4,847,958
Prepaid expenses	2,461,370	2,145,295
	43,495,671	32,609,339
Long-term assets		
Capital assets (note 6)	99,799,464	96,937,892
Time deposits and investments (note 7)	1,488,437	1,449,935
Pledges receivable (note 5)	240,000	360,000
	101,527,901	98,747,827
	145,023,572	131,357,166
LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	15,252,468	11,851,007
Accrued salary and payroll expenses (notes 8 and 12)	13,669,640	9,505,570
Current portion of long-term debt (note 9)	1,559,969	3,118,438
Capital lease obligations - current portion (note 9)	138,001	110,704
	30,620,078	24,585,719
Long-term liabilities		
Pension accrual (note 12)	8,831,321	8,519,007
Accrued health insurance (note 12)	24,216,157	13,093,817
Long-term debt (note 9)	10,946,042	11,114,210
Capital lease obligations - long-term portion (note 9)	158,739	108,495
	44,152,259	32,835,529
Deferred capital contributions (note 10)	23,355,783	22,773,749
Net assets		
Invested in capital assets	59,734,298	58,096,920
Internally restricted for pensions (note 11)	458,344	458,344
Internally restricted for education (note 11)	1,062,881	1,150,957
Unrestricted	(14,360,071)	(8,544,052)
	46,895,452	51,162,169
	145,023,572	131,357,166

The accompanying notes are an integral part of these financial statements.

Bermuda Hospitals Board
Statement of Operations
For the year ended March 31, 2008

	KEMH $	MWI $	2008 $	2007 $
OPERATING REVENUES				
Outpatient (note 8)	101,062,085	258,369	101,320,454	86,872,961
Inpatient (note 8)	54,004,310	2,522,019	56,526,329	52,303,698
Extended care unit (note 8)	13,899,320	-	13,899,320	12,693,994
Non-medical (note 8)	5,361,894	585,043	5,946,937	3,020,070
Amortisation of deferred capital contributions (note 10)	1,226,895	606,371	1,833,266	1,720,000
Surcharge to non-residents	296,485	-	296,485	385,966
Investment income	295,387	-	295,387	468,096
Donation in kind (note 15)	294,407	-	294,407	226,384
Donations	154,161	-	154,161	469,863
Government grants (note 8)	-	31,692,760	31,692,760	29,225,051
Total operating revenues	176,594,944	35,664,562	212,259,506	187,386,083
SALARIES AND EMPLOYEE BENEFITS				
Direct medical staff	40,560,169	12,477,929	53,038,098	50,233,571
Employee benefits (notes 8 and 12)	21,956,025	5,777,707	27,733,732	16,169,571
Supporting medical services	17,773,261	6,330,020	24,103,281	21,516,935
Ancillary services	16,704,340	2,113,077	18,817,417	18,027,434
Administrative services	9,358,217	428,316	9,786,533	8,416,624
	106,352,012	27,127,049	133,479,061	114,364,135
OPERATING EXPENSES				
Medical supplies	21,720,862	647,530	22,368,392	20,831,220
General supplies and services (note 8)	18,953,408	3,007,307	21,960,715	18,891,161
Repairs and maintenance	8,703,720	1,506,517	10,210,237	7,705,749
Consulting and business expenses	6,005,196	880,725	6,885,921	7,174,307
Amortisation of capital assets	6,080,138	798,382	6,878,520	6,120,259
Utilities (note 8)	5,204,690	1,166,461	6,371,151	5,971,909
Food	1,914,783	814,412	2,729,195	2,385,531
Miscellaneous (note 8)	1,974,285	-	1,974,285	1,935,172
Bad debt expenses	1,502,393	-	1,502,393	615,852
Interest expense	694,908	-	694,908	696,201
Scholarships issued	230,000	-	230,000	192,784
Business social cost (note 16)	138,075	-	138,075	206,746
Loss on disposal of capital assets	34,455	1,480	35,935	43,534
Management charge (note 17)	(2,010,528)	2,010,528	-	-
	71,146,385	10,833,342	81,979,727	72,770,425
Total expenses	177,498,397	37,960,391	215,458,788	187,134,560
Net operating (loss) / income	(903,453)	(2,295,829)	(3,199,282)	251,523
Extraordinary item (note 18)	-	(950,000)	(950,000)	-
(Deficiency) / excess of revenues over expenses	(903,453)	(3,245,829)	(4,149,282)	251,523

The accompanying notes are an integral part of these financial statements.

Bermuda Hospitals Board
Statement of Changes in Net Assets
For the year ended March 31, 2008

NET ASSETS	Invested in capital assets $	Internally restricted for pensions $	Internally restricted for education $	Unrestricted $	2008 Total $
Balance, beginning of year	58,096,920	458,344	1,150,957	(8,544,052)	51,162,169
(Deficiency) / excess of revenues over expenses	(6,031,189)			1,881,907	(4,149,282)
Changes in unrealised gains and losses on available for sale financial assets			(88,076)	(29,359)	(117,435)
Net change in investment in capital assets	7,668,567			(7,668,567)	-
Balance, end of year	**59,734,298**	**458,344**	**1,062,881**	**(14,360,071)**	**46,895,452**

NET ASSETS	Invested in capital assets $	Internally restricted for pensions $	Internally restricted for education $	Unrestricted $	2007 Total $
Balance, beginning of year	48,299,770	458,344	1,027,649	960,473	50,746,236
Excess / (deficiency) of revenues over expenses	(4,493,436)			4,744,959	251,523
Changes in unrealised gains and losses on available for sale financial assets			123,308	41,102	164,410
Net change in investment in capital assets	14,290,586			(14,290,586)	-
Balance, end of year	58,096,920	458,344	1,150,957	(8,544,052)	51,162,169

The accompanying notes are an integral part of these financial statements.

Bermuda Hospitals Board
Statement of Cash Flows
For the year ended March 31, 2008

	2008 $	2007 $
CASH FROM OPERATING ACTIVITIES		
(Deficiency) / excess of revenues over expenses	(4,149,282)	251,523
Amortisation of capital assets	6,878,520	6,120,259
Loss on disposal of capital assets	35,935	43,534
Amortisation of deferred capital contributions	(1,833,266)	(1,720,000)
Net change in non-cash working capital	21,072,832	(2,054,952)
Pension benefit expense	312,314	451,713
Net cash generated through operating activities	22,317,053	3,092,077
FINANCING AND INVESTING ACTIVITIES		
Deferred capital contributions	2,415,300	2,626,724
Repayment of long-term debt	(2,741,235)	(2,953,029)
Repayment of capital leases	(138,880)	(153,347)
Proceeds from capital leases	216,421	150,522
Proceeds from disposal of capital assets	-	49,643
Proceeds from long-term loan	1,014,598	4,000,000
Purchase of capital assets	(10,726,027)	(16,400,852
Changes in pledges for capital assets	368,817	(85,344)
Changes in investments	(155,937)	(50,010)
Grant received from government	(1,573,834)	(6,887)
Net cash used in financing and investing activities	(11,320,777)	(12,822,580)
Extraordinary item	950,000	-
Net increase (decrease) in cash and cash equivalents	11,946,276	(9,730,503)
Cash and cash equivalents, beginning of year	8,415,909	18,146,412
Cash and cash equivalents, end of year	20,362,185	8,415,909
Cash and cash equivalents consist of the following:		
Cash and time deposits	17,196,030	5,128,103
Restricted cash, term deposits and investments	3,166,155	3,287,806
	20,362,185	8,415,909

The accompanying notes are an integral part of these financial statements.

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008

1. AUTHORITY AND ORGANISATION

(A) AUTHORITY

Bermuda Hospitals Board ("the Board" or "BHB") was established under the provisions of The Bermuda Hospitals Board Act, 1970 as amended.

(B) ORGANISATION

The Board is responsible for operating the King Edward VII Memorial Hospital ("KEMH") and Mid-Atlantic Wellness Institute ("MWI"). The Board receives donations, subsidies and government grants, which are included in the financial statements.

KEMH is an inpatient acute care and extended care hospital with 236 acute care beds and an extended care unit of 104 beds.

MWI is a psychiatric facility with 36 inpatient acute care beds, including four beds for children and adolescents, and 71 long-term rehabilitation beds.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

(A) REVENUE RECOGNITION

The Board follows the deferral method of accounting for contributions, which include donations and government subsidies and grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognised in that subsequent period.

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognised as revenue in the year in which the related expenses are recognised. Contributions restricted for the purchase of capital assets are deferred and amortised into revenue at a rate corresponding with the amortisation rate for the related capital assets.

Non-medical income comprises revenue that is not derived directly from the treatment of patients or contributions, and is recognised on an accrual basis.

Restricted investment income is recognised as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognised as revenue when earned.

Investment income includes dividends and interest income and realised investment gains and losses. Unrealised gains and losses on available for sale financial assets are included in the fund balances until the asset is realised.

(B) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalised. When a capital asset no longer contributes to the Board's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortised on a straight-line basis using the following annual rates:

Buildings	2.5%
Equipment	10.0%
Software	20.0%
Computer equipment	20.0%
Capital leases	20.0%

(C) CASH AND CASH EQUIVALENTS

The Board considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of 90 days or less, as equivalent to cash. Cash is classified as restricted externally by legal or contractual requirements and internally by the Board.

(D) INVENTORIES

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, stationery, and film, are valued at the lower of cost, using the weighted average method of accounting, and net realisable value.

Operating room inventories are valued at the lower of cost, using the first-in first-out (FIFO) method of accounting, and net realisable value.

(E) INVESTMENTS

Investments comprise term deposits and an equity security. The term deposits are classified as held to maturity and carried at cost. The equity investment is classified as available for sale and is carried at fair value with unrealised gains or losses recorded as a separate component of net assets and released to operating income when realised. Permanent declines in value result in an adjustment to cost and immediate write down through the statement of operations. Investment income is recognised on accrual basis.

(F) DONATED SERVICES

The BHB receives substantial donated services from volunteers in the normal course of operations. These services are recognised when fair value can be reasonably estimated and services are used in the normal course of the organisation's operations and would otherwise have been purchased.

(G) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and time deposits approximates fair value due to the short maturity of those instruments.

The fair value of other financial assets and liabilities, consisting of accounts receivable, amounts due to the Consolidated Fund of the Government of Bermuda, other receivables, pledges receivable and accounts payable and accrued liabilities, approximates their carrying value due to their relative short-term nature.

The fair value of long-term debt is approximately $13.2 million based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

Certain financial instruments, such as obligations for employee future health benefits and pension obligations, are excluded from the requirements of fair value disclosures.

(H) EMPLOYEE HEALTH INSURANCE PLAN

The Board has a policy funding agreement with a third party health insurance administrator, which covers both active and retired employees. In substance this agreement results in the BHB self-insuring its employees' healthcare benefits.

Under the agreement, the Board is liable for any deficit as set out in the agreement, which incorporates net premium, incurred claims, interest and administration charges.

However, should the plan generate a cumulative surplus, the administrator is allowed up to 25% of the surplus in addition to the standard annual fee, with the balance being returned to the BHB. The standard administration fee is set at 10% of annual net premiums.

The establishment of the provision for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process, influenced by a large variety of factors. These factors include the Board's previous experience and historical trends involving claim payment patterns, pending levels of unpaid claims, claims severity and claim frequency patterns such as those caused by employee illnesses, accidents or work-related injuries.

The provision for incurred claims is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. It is reasonably possible that changes in future conditions in the near term could require a material change in the amount estimated.

3. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

This balance is externally and internally restricted for specific purposes, as follows:

	2008 $	2007 $
Patient comfort funds	1,445,502	1,413,099
Educational purposes	1,022,225	1,110,302
Staff pension plan	458,344	458,344
Construction projects and capital assets	240,084	306,061
	3,166,155	3,287,806

The equity investment comprises:

	2008		2007	
	Market Value $	Cost $	Market Value $	Cost $
Belco Holdings Limited	962,967	144,651	1,080,402	144,651

At March 31, 2008, the investment in Belco Holdings Limited amounted to $962,967 of which 75% is restricted for educational purposes.

4. OVERDRAFT FACILITY

The BHB has an overdraft facility with The Bank of N.T. Butterfield and Son Limited (the "Bank") of up to $2,450,000, which bears interest at a rate of 2% above the Bank's Base Rate. The overdraft facility was not in use at March 31, 2008 or March 31, 2007.

5. PLEDGES RECEIVABLE

Pledges receivable relate to a $600,000, five-year pledge from Bacardi International Limited, for the purchase of new X-ray equipment. At March 31, 2008, $360,000 (2007 - $480,000) was outstanding and is payable in three equal annual installments.

In 2007, pledges receivables from Friends of Hospice ($20,880) and Lady Cubitt Compassionate Association ("LCCA") ($227,937) were also outstanding.

6. CAPITAL ASSETS

	Cost $	Accumulated Amortisation $	2008 Book Value $	2007 Book Value $
Land and buildings	116,113,516	38,542,836	77,570,680	76,749,874
Equipment	42,358,586	27,215,415	15,143,171	14,219,071
Construction in progress	2,849,108	-	2,849,108	2,644,258
Software	6,022,133	3,480,917	2,541,216	1,865,502
Computer equipment	4,119,649	2,797,584	1,322,065	1,144,484
Capital leases	808,843	435,619	373,224	314,703
	172,271,835	72,472,371	99,799,464	96,937,892

Photocopying equipment held under capital leases, is included in capital assets and amortised, on a straight-line basis, over its economic life of five years. These leases are for a period of 36 months, with an option to purchase, upon renewal, at a nominal value.

The insured value of all capital assets under the Board's control is approximately $306 million (2007 - $296 million).

On March 27, 1997, the land on which the hospital buildings stand was conveyed to the Board by Government. As part of this transfer, Government has right of first refusal on any sales of the land and buildings. The land and buildings are held as security for the bonds payable, as described in Note 9A.

7. LONG-TERM INVESTMENTS

The cost and fair value of time deposits included in long-term investments at March 31, 2008 is $1,247,695 (2007 - $1,179,835).

8. RELATED PARTY TRANSACTIONS AND BALANCES

(A) GOVERNMENT PROGRAMMES

Included within operating revenues are subsidies and grants from the Consolidated Fund of the Government of Bermuda as discussed in paragraphs (I), (II) and (III), as follows:

(I) Government subsidy programmes

During the year, the Department of Social Insurance approved claims totaling $76,832,899 (2007 - $70,306,636) in respect of services rendered to patients covered under the Government's subsidy programmes as follows:

	2008 $	2007 $
Aged subsidy	41,357,852	35,462,194
Geriatric subsidy	12,672,911	11,602,205
Youth subsidy	9,630,689	8,707,696
Other subsidy	5,446,690	4,536,535
Indigent subsidy	5,176,192	7,476,454
Clinical drugs	2,548,565	2,521,552
	76,832,899	70,306,636

As at March 31, 2008, $739,301 (2007 - $1,705,687) was outstanding from Government for subsidy programmes. This amount is included in the accounts receivable balance.

(II) Government Grants

MWI receives operating and capital grants. The operating grant received during the year was $31,692,760 (2007 - $29,225,051) and the capital grant received was $1,981,758 (2007 - $2,118,373). During the year, KEMH transferred $50,000 to MWI as a grant to cover the additional costs of a new clinic. KEMH received a special grant for consulting and business expenses during the year of $103,600 (2007 - $654,506) and the capital grant received was $87,352 (2007 - Nil).

(III) Consulting Contracts

During the year, the Government paid the Board $1,906,503 for the Kurron Contract which was signed subsequent to the start of the fiscal year. As at March 31, 2008, $453,631 was outstanding from Government for consulting contracts. This amount is included in the other receivables balance.

(B) MUTUAL RE-INSURANCE FUND

Included within the accounts receivable balance as at March 31, 2008 is $1,333,684 (2007 - $1,794,802) due from the Mutual Re-insurance Fund. During the year, the Department of Social Insurance approved the following claims:

	2008 $	2007 $
Hemodialysis treatments	6,893,505	6,184,145
Long stay patients	2,392,226	1,914,360
Home health care	382,158	336,059
Anti-rejection drugs	267,721	276,754
	9,935,610	8,711,318

(C) HEALTH INSURANCE FUND

Included in accounts receivable as at March 31, 2008 is $679,621 (2007 - $1,130,122) receivable from the Health Insurance Fund. During the year, the Department of Social Insurance approved claims totaling $7,813,103 (2007 - $6,246,893).

(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

Included in accounts receivable as at March 31, 2008 is $1,432,042 (2007 - $1,374,743) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, $13.8 million (2007 - $11.3 million) in claims were billed to the GEHI.

(E) OTHER AMOUNTS

	2008 $	2007 $
During the year, the BHB expensed the following:		
Payroll tax	3,104,941	2,976,542
Social insurance	2,022,777	1,857,633
Services provided by the Ministry of Works and Engineering	732,493	988,637
Nurses' annual pensions	367,953	377,868
Superannuation	6,168	5,182
Land tax	1,812	434
Miscellaneous charges	101,418	137,523
	6,337,562	6,343,819

The following amounts were remitted to the government on behalf of the Board's employees:

	2008 $	2007 $
Payroll tax	4,297,611	4,104,752
Social insurance	1,991,676	1,855,440
	6,289,287	5,960,192

Non-refundable duty of $843,955 (2007 - $1,110,511) was paid during the year. War Veteran Association Claims, in the amount of $379,296 (2007 - $94,580) were billed during the year.

The following are balances at March 31:

	2008 $	2007 $
Accounts receivable		
Miscellaneous departmental charges	125,011	70,547
Payable by government on behalf of the War Veterans Association	194,492	30,024
	319,503	100,571
Other receivables		
Refundable deposits paid for duty	217,300	217,300
Accounts payable and accrued liabilities		
Ministry of Works and Engineering	100,423	114,138
Nurses' annual pensions accrual	3,021,532	2,653,579
	3,121,955	2,767,717
Accrued salary and payroll expenses		
Payroll tax	1,964,540	1,797,327
Social insurance	493,667	430,769
	2,458,207	2,228,096

(F) BERMUDA HOSPITALS CHARITABLE TRUST

During the year, the Bermuda Hospitals Charitable Trust ("BHCT") paid the Board $105,238 (2007 - Nil) for consulting and business expenses. As at March 31, 2008, $59,494 (2007 - Nil) was outstanding from BHCT for consulting contracts. This amount is included in the other receivables balance.

9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

(A) LONG-TERM DEBT

	2008 $	2007 $
Bonds payable of US$5,450,000, bearing interest of 3.95% per annum, due April 19, 2010. Semiannual principal payments are $450,000. The bonds are secured by a second mortgage on land and buildings.	1,850,000	2,750,000
Loan of $1,000,000, bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $14,489 up to January 29, 2015. The note is unsecured.	980,177	-
Bond refinanced loan of US$4,004,141, bearing interest of 5.25% per annum, paid quarterly in arrears of principal and interest of $126,928 up to February 15, 2018. The loan is unsecured.	4,004,141	5,077,349
Loan of $2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of $16,650 up to February 1, 2020. The loan is secured by a charge over the related capital assets.	1,825,090	1,908,271
Loan of $4,000,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $28,084 up to September 9, 2027. The loan is secured by a charge over the related capital assets.	3,846,603	3,949,912
Note payable of $2,093,745 bearing interest of 5.63% per annum, payable in semiannual installments which are equivalent to 10% of principal balance and interest up to November 20, 2007. The note is unsecured.	-	466,503
Note payable of $361,806 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of $42,017 up to November 20, 2007. The note is unsecured.	-	80,613
	12,506,011	14,232,648
LESS: CURRENT PORTION	1,559,969	3,118,438
	10,946,042	11,114,210

Principal repayments scheduled for the next 19 years are as follows:

Year	Amount $
2009	1,559,969
2010	1,597,337
2011	784,644
2012	773,964
2013	815,408
2014	859,092
2015	875,596
2016-27	5,240,001
	12,506,011

(B) CAPITAL LEASE OBLIGATIONS	2008 $	2007 $
Obligations under capital leases, with minimum lease payments of $319,361 less interest of $22,621. Capital leases bearing interest between 5.5% and 6% per annum, payable in monthly installments of principal and interest expiring between December 15, 2008 and March 31, 2011. (The Capital leases relate to photocopying equipment)	296,740	219,199
LESS: CURRENT PORTION	138,001	110,704
	158,739	108,495

Future minimum commitments for the following three years are as follows:

Year	Capital lease Obligations $	Interest $	Total Minimum lease Payments $
2009	138,001	13,263	151,264
2010	124,455	7,286	131,741
2011	34,284	2,072	36,356
	296,740	22,621	319,361

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortised and unspent amount of donations and grants received for the acquisition of capital assets. The amortisation of capital contributions is recorded as revenue in the statement of operations.

The balance of the deferred capital contributions is as follows:

	2008 $	2007 $
Balance, beginning of year	22,773,749	21,867,025
Add: contributions received	2,415,300	2,626,724
Less: amounts amortised to revenue	(1,833,266)	1,720,000)
Balance, end of year	23,355,783	22,773,749

The balance of deferred capital contributions comprises the following:

	2008 $	2007 $
Unamortised capital contributions used to purchase assets	22,711,593	21,936,445
Unspent contributions	644,190	837,304
	23,355,783	22,773,749

11. INTERNAL RESTRICTIONS ON NET ASSETS

The Pension Fund was established in 1987/88 for the purpose of providing funds to supplement pensions at the discretion of the Board. The Educational Fund reflects an accumulation of investment income designated for educational purposes. These internally restricted amounts are not available for other purposes without the approval of the Board.

12. EMPLOYEE BENEFITS

The Board has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees. The Board accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Board has adopted the following policies:

- The cost of pensions and other retirement benefits for deferred benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is eight months (2007 – 1.67 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.72 years (2007 – 8.57 years).

(A) PENSION PLANS

There is a Defined Contribution Pension Plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee leaves the Board's employ, other than through retirement, the Board's unvested contributions are credited to the Board's surplus account. These are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2008 totaled $3.7 million (2007 - $3.5 million).

The Hospital Nurses Superannuation Act 1948 established a non-contributory defined benefit final average pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of these pensions is shared with Government, with BHB being liable for pension benefits earned by these nurses since January 1, 1977.

	2008 $	2007 $
Balance, beginning of year	8,519,007	8,067,294
Pension expense		
Current cost	116,480	112,062
Interest	351,718	336,501
Experience (gain) / loss	(155,884)	3,150
	312,314	451,713
Balance, end of year	8,831,321	8,519,007

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2008, which estimates that the Board's portion of the liability under the Act is approximately $5.7 million as at March 31, 2008 (2007 - $5.9 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a salary escalation rate of 4%.

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2008 the Board's payable to the Government totals $3.0 million (2007 - $2.7 million) and is included in the accounts payable and accrued liabilities balance.

(B) OTHER BENEFIT PLANS

Other employment benefits include maternity leave, sick leave, vacation days and health insurance. All of these plans are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at March 31, 2008 is $47,272 (2007 - $56,236) and is included in accrued salary and payroll expenses.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March 31, 2008, the liability is $80,623 (2007- $61,906) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2008 is $7.7 million (2007 - $6.9 million) and the benefits paid out total $7.3 million (2007 - $6.2 million) resulting in a liability as at March 31, 2008 of $6.5 million (2007 - $6.1 million).

The Board pays 50% of the health insurance premiums for employees who retire from BHB. The accrued benefit obligation as at March 31, 2008 of $24.2 million (2007 - $19.0 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2008 was $24.2 million (2007 - $13.0 million). The expense recognised for the year ended March 31, 2008 was $11.9 million (2007 - $2.9 million) and the benefits paid during the year were $770,070 (2007 - $665,366). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after five years.

The BHB Health Plan had a cumulative deficit of $213,415 as at March 31, 2008 (2007 - $328,773).

13. COMMITMENTS

As of March 31, 2008, the Board has operating commitments of $1.5 million relating to a cleaning service contract which will expire on October 31, 2009; $453,150 relating to an oxygen supply agreement which will expire on September 30, 2009; $247,467 for laboratory equipment maintenance contracts which will expire between January 31, 2009 to November 27, 2012 and $1.0 million for grounds and gardens maintenance which will expire on March 31, 2012.

The Board has, in the ordinary course of business, entered into operating lease agreements with third parties for the rental of 30 properties. The aggregate monthly charge is $104,050 and the agreements can be cancelled at the Board's option provided 90 days prior notice is given.

The Board entered into a management services contract which will expire on June 30, 2013. As of March 31, 2008, the outstanding commitment is $9.1 million.

14. CONTINGENCIES

In the ordinary course of business, the Board is routinely a defendant in or party to a number of pending or threatened legal actions and proceedings. The Board believes that it has meritorious defenses to all asserted claims and intends to defend vigorously against them.

The Board has medical malpractice insurance in place of up to $7.5 million per claim and $15.0 million in the aggregate during any policy year.

The Board also has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of $10.0 million in the aggregate, including defense costs and expenses. The Board has accrued an amount in these financial statements for potential contingent liabilities relating to the Directors' and Officers' Liability policy.

15. DONATION IN KIND

Donation in kind relates to services donated by volunteers and the related expense is included in the general supplies and services expense.

16. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operation, the BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for year ended March 31, 2008 was $138,075 (2007 - $206,746).

17. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working with MWI. The amount charged for the year ended March 31, 2008 is $2,010,528 (2007 - $1,868,338).

18. EXTRAORDINARY ITEM

During the year-ended March 31, 2008, BHB commenced a capital project renovation at MWI. A government grant of $4.0 million was provided to assist with the funding of this project. Subsequent to the year-ended March 31, 2008 it was determined that supplier amounts which were paid for and capitalised by BHB for the project had been charged at an amount greater than fair value. BHB hired a professional quantity surveyor to determine the fair value of the amounts which had been capitalised as at March 31, 2008. The difference of $950,000 between the estimated fair value of the assets and the amounts capitalised by BHB has been recorded as a charge against income for the year ended March 31, 2008.

19. SUBSEQUENT EVENTS

In April 2008, the Board renewed its policy funding agreement for a year, with a third party health insurance administrator, which covers both active and retired employees. The Board will review its policy funding agreement on an annual basis.

On July 18, 2008, the Board reached a monetary settlement with the Unions acting on behalf of the staff in respect of past management of the Employee Pension Plan.

In August 2008, the Board increased the medical malpractice insurance to $10.0 million per claim and $30.0 million in the aggregate.

In November 2008, the Board announced that the KEMH Redevelopment Project had been approved by Government. The new facilities are expected to be completed in five years. The design, construction, financing and maintenance of the new facilities will be delivered in the form of a public private partnership. Advisors have been appointed to guide the Board through the process.

20. COMPARATIVES

Certain comparative figures have been reclassified to conform to the current year presentation.

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Bermuda Hospitals Board

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